

Financial Conditions December 2010

Monetary Aggregates For the month of December 2010, the monthly growth rates of the monetary aggregates M1B and M2, measured on a daily average basis, were 1.38% and 0.52%, respectively. Compared to the previous month, the M1B monthly growth rate was higher, while the M2 monthly growth rate was lower. The annual growth rate of M1B declined to 8.77%, mainly due to a higher base effect. The annual growth rate of M2 also declined to 5.14%, mainly attributable to slowing growth of bank loans and investments in the private sector. For the entire year, the average annual growth rates of M1B and M2 were 14.93% and 4.59%, respectively.

Deposits and Loans & Investments At the end of December, the monthly growth rate of total deposits in major financial institutions was 1.15%, higher than that of the previous month; the annual growth rate rose from 4.99% at the end of the previous month to 5.19%. The monthly growth rate of total outstanding loans and investments (measured on a cost basis) of major financial institutions was 1.23%, higher than that of the previous month. Meanwhile, the annual growth rate declined from 6.34% at the end of the previous month to 6.19%. The decline was mainly due to slowing growth of bank loans and investments in the private sector. If (1) loans and investments extended by life insurance companies, (2) non-accrual loans reclassified and bad loans written off by major financial institutions, and (3) funds raised directly from capital markets were all taken into account, the total outstanding amount of funds raised by the non-financial sector would show an annual growth rate of 5.42%, lower than the 5.53% at the end of the previous month.

Reserve Money The daily average reserve money in December was NT\$2,454.6 billion, an increase of NT\$20.4 billion from the previous month. Of the components, reserves deposited with the Bank increased by NT\$11.8 billion, and currency in circulation increased by NT\$8.6 billion. The annual growth rate of the daily average reserve money declined from 6.34% of the previous month to 6.08%. For the entire year, the average annual growth rate of reserve money was 5.37%.

Call-loan Rate and Reserve Conditions For the month of December, the daily average net excess reserves of depository institutions were NT\$17.9 billion. The average overnight call-loan rate rose from 0.231% of the previous month to 0.239% in December.

Foreign Exchange Reserves At the end of December, the foreign exchange reserves amounted to US\$382.01 billion, increasing by US\$2.75 billion from the previous month.